Care Management Rate Setting Methodology - Determining the Care Management Rate

To claim reimbursement for care management, counties need to determine a cost-based rate per hour for care management services. This WaiverWise re-issues a streamlined version of the Care Management Rate Setting Methodology. Counties can chose or may already have an alternative methodology for determining the care management rate. When submitting care management rates for approval, please indicate the specific methodology used to determine the rate. Regardless of methodology, instructions and forms should be completed for the agency providing direct care management.

Agencies may choose to have a separate process for each care management procedure (i.e., assessment, plan development, ongoing monitoring). If that choice is made, separate forms need to be submitted for each procedure.

There are two basic steps to this methodology. The first step is to arrive at a weighted hourly rate for direct service staff costs. The second is to factor in an add-on amount for administration, support staff and overhead costs. There are two options available for completing this second step – the ratio method or the itemized method.

Step 1 – Weighted Hourly Rate for Direct Service Staff

When determining total care management hours, counties can use either of two methods. The first is to determine available hours. This is done by taking the total number of hours available and subtracting vacation, sick time, leave, etc. The second methodology that may be used is determining actual hours. These are the hours the care manager is actually providing services that are billable to a specific participant. For example, time spent on general agency staff meetings or during training cannot be counted.

NOTE: Billable hours are always less than the paid hours for care managers. It is a good management practice to review the actual hours of care management billed by the agency and each care manager. This can be followed by a review of the tasks completed in the hours a care manager is "at work" but has no billable hours.

Thus, it is equally important to determine a care management rate based on actual billable hours in order to capture the agency's complete costs.

The source documents for determining care management hours are agency staff logs or participant-specific care management time recording forms (or HSRS billable hours in the prior year). For care management, all covered and non-covered service hours should be recorded. However, if the agency does not record care management hours that are not billable, these will need to be estimated for each worker providing billable care management.

Staff logs or participant-specific documentation should include: (1) the name of the direct staff person, (2) the name of the receiving participant, (3) what service was provided, (4) the length of time, and (5) the date of service.

Steps to develop a weighted hourly rate for care management:

Step 1 - "Direct Service Staff Worksheet – CM-I"-   (Model Form)

- *Instructions for Form CM-I:*

1.   Column 1 – Worker (name and classification)
List the name and classification of each qualified worker who provides care management to the participants. Do not list any agency staff who do not provide billable care management services.

2.   Column 2 – Salary and Fringe
Enter the total salary and fringe allowable under the Department's Allowable Cost Manual for each worker. Total this column – "A".

3.   Column 3 – Total Hours
Enter the total hours the worker is paid for the year.

4.   Column 4 - Earned Vacation, Holiday, Sick Leave Hours
Enter the total number of these hours the worker will earn for the year.

5.   Column 5 – Net Available Hours
Subtract Column 4 from Column 3 and enter the remainder. Total this column – "B".

6.   Column 6 – Projected Billable Care Management Hours
Enter the projected billable (covered) hours for each worker for the year. Total this column – "C". (A review of last year's total hours for each worker is helpful and suggested.)

7.   Column 7 – Staff Rate Per Hour
Divide Column 2 by Column 6 and enter the dividend.

8.   Column 8 – Projected Total Annual Direct Service Staff Costs for Billable Care Management
Multiply Column 6 by Column 7 and enter the amount.

"Calculation of Weighted Care Management Hourly Rate"
> In the space provided on the form, divide the total of "A" by the total of "C". This amount "D" is carried over to the final rate calculation.

"Calculation of Total Direct Service Staff Care Management Cost"
> In the space provided, multiply "B" by "D". This result is used to calculate the rational for allocating indirect/support cost for the Ratio Method. It is carried over to item 4a on form **CM-II**. It is not used in the Itemized Method.

Step 2 – Add On for Administration, Support Staff, Non-salary and Overhead

Option A – Ratio Method – Worksheet CM-II (Model Form)

Add-on Indirect Care Management Support Costs Worksheet

The Ratio Method uses a percentage of the total employees. For example, if in a staff of 20, five people are care managers, then one-fourth of the total agency costs can be attributed to the care manager rate. Worksheet **CM-II** calculates the percentage based on the care management cost from Worksheet **CM-I**.

Note: In determining the "total employees", determine whether agency costs are directly related to expenses/staff utilized by all agency employees or only by specific units within the agency. Either is possible and allowable and is generally related to the overall size of the entire agency. The total number of employees used for this calculation will directly effect the percentage and costs being attributed to and included in the care management rate.

Option B – Itemized Method - Worksheet CM-III (a) plus CM-III (b) (Model Forms)

Administration And Support Staff Worksheet and Non-Salary Cost Worksheet

The Itemized Method takes the agency's budget, minus upper management and clerical costs (including accounting) and then determines the actual costs for specific people. Agencies should use this method when they have documentation of actual costs <u>and can tie these costs to the care manager</u>.

The salary and fringe costs of indirect/support staff are compiled on an individual worker basis for all persons in the agency that provide any administration, supervision, clerical, fiscal, etc., services related to the care management function. In allocating time to care management as opposed to other services, the staff who are listed are required to keep a detailed log or time sheet for at least one week during each calendar quarter. The log needs to identify the function being performed, by whom, how long and what date.

Non-salary costs are allocated to the various service areas on the basis of direct service staff cost assigned to each. Care management will receive its proportionate share of these costs in relation to its size compared with other service areas of the agency.

- ***Instructions: Administration and Support Staff Worksheet – Form CM-III (a)***

1. **Column 1 – Worker (name and classification)**
   List the name and classification of each staff worker in the agency who provides administrative, supervisory, and other supportive services to the care management program. These staff are required to keep a log as described above.

2. **Column 2 – Salary and Fringe**
   Enter the total salary and fringe allowable under the Department's Allowable Cost Manual for each worker.

3. **Column 3 – Total Hours**
   Enter the total hours for the year the worker is paid.

4. **Column 4 – Earned Vacation, Holiday, Sick Leave Hours**
   Enter the total number of these hours the worker will earn for the year.

5. **Column 5 – Net Available Hours**
   Subtract Column 4 from Column 3 and enter the remainder.

6. **Column 6 – Projected Hours Supporting Care Management**
   Use detailed logs/time sheets for one week per calendar quarter (4 times/year).

7. **Column 7 – Percentage Allocated to Support Care Management**
   Find the percentage of the worker's time spent supporting care management in contrast to supporting other service areas. Divide Column 6 by Column 5 and express this percentage to the nearest hundredth.

8. **Column 8 – Projected Total Annual Support Staff Costs for Care Management**
   Multiply Column 7 times Column 2 and enter the amount. Total this column. The total of this column is carried over to calculation (1) of the final rate calculation for the provider entity **CM-III (b)**.

- ***Instructions: Non-Salary Worksheet – Form CM-III (b)***

1. **Column 1 – Name of Non-Salary Item**
   Major expense items are already listed. Additional lines are provided to add items that do not fit into the listed ones.

2. **Column 2 – Total Costs**
   Enter the budgeted amount for each item.

3. **Column 3 – Federal Funds**
   Enter any clearly identifiable federal funds your agency receives for any item such as training grants or funds used to construct or purchase building space. Do not attempt to identify any federal funds that may be included in the county's basic allocation from the State.

4. **Column 4 – Net Cost**
   Subtract Column 3 from Column 2 and enter the remainder.

5. **Column 5 – Percentage Allocated to Care Management**
   Note that Column 7 requires the method of allocation to be specified for each cost item. The percentage must be supportable in relation to the overall services/programs of the provider entity. Express the percentage to the nearest hundredth.

6. **Column 6 – Projected Total Annual Non-Salary Costs for Care Management**
   Multiply Column 4 times Column 5 and enter the amount. Total this column. The total of this column is carried over to item (2) of the final rate calculation for the provider entity.

7. **Column 7 – Method of Allocation**
   A variety of methods may be applied using acceptable cost accounting procedures. For example, space costs and related items may be allocated using the ratio of square feet for care management to square feet for other service/program objectives.
   Other non-salary cost may be allocated using the ratio of direct service staff salary costs of care management to direct service staff salary costs (including contract costs) of other service/program objectives.
   Another possibility is to use the same percentage as is used in figuring Column 7 of the Administration and Support Staff Worksheet, which is based on support staff logs/time sheets. If any non-salary items are directly charged to each service/program objective, including care management, this amount (less any federal funds) may be entered directly into Column 6. Column 5 would be blank.

▪ *Instructions: Calculation of Total Care Management Rate for Provider Entity*

This calculation is located at the bottom of the Non-Salary Cost Worksheet. This worksheet is self-explanatory. This rate is to be submitted for approval. This rate, once approved, is to be used for claims in billing for care management services.